

# **PUBLIC DISCLOSURE**

**October 10, 2014**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Intercontinental Bank  
Certificate Number: 57214**

**5722 Southwest Eighth Street  
West Miami, Florida 33144**

**Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
10 Tenth Street, Northeast, Suite 800  
Atlanta, Georgia 30309-3906**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Intercontinental Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **October 10, 2014**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

**INSTITUTION'S CRA RATING:** This institution is rated **Needs to Improve**. The assigned rating is based on the following conclusions regarding the bank's lending performance.

- **Loan-to-Deposit Ratio** – The average net loan-to-deposit ratio of 21 percent is less than reasonable given the institution's size, financial condition, and credit needs of the assessment area. This factor received the most weight in assigning the overall CRA rating. The bank's continued low level of lending limits the meaningfulness of the analysis that follows and diminishes overall from the bank's performance under the categories below.
- **Lending Inside the Assessment Area** – The substantial majority of the institution's small business and home mortgage loans were originated within its delineated assessment area.
- **Geographic Distribution of Loans** – The geographic distribution of the loans and lending-related investments reflects a reasonable dispersion throughout the assessment area.
- **Lending to Businesses of Different Sizes and Individuals of Different Incomes** – The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among businesses of different sizes and individuals of different income levels.
- **Response to Complaints** – The institution has not received any CRA-related complaints since the last evaluation.

## SCOPE OF EXAMINATION

The CRA performance evaluation of Intercontinental Bank (IB) was prepared pursuant to the *Interagency CRA Examination Procedures for Small Institutions*. These procedures evaluate the CRA performance of a bank's lending relative to five performance categories: average net loan-to-deposit ratio, assessment area lending, geographic distribution, borrower distribution, and response to CRA-related complaints. Effective January 1, 2014, examination procedures for small institutions are used at institutions whose assets are less than \$300 million as of December 31 of either of the prior two calendar years. The asset threshold level adjusts annually based on changes in the Consumer Price Index. As of December 31, 2012 and 2013, total assets for IB were \$169 million and \$173 million, respectively.

## Identification of Sample Utilized for this Evaluation

As of June 30, 2014, business loans were determined to be the bank's major product line, representing 69 percent of the loan portfolio. For CRA evaluation purposes, only small business loans<sup>1</sup> are considered. Since the last CRA evaluation on June 29, 2012, through June 30, 2014, IB originated 43 small business loans totaling \$5.3 million as follows: During the first two quarters of 2014, the bank originated 8 small business loans totaling \$639,000; in 2013, 28 small business loans totaling \$4.1 million were originated; and in the last two quarters of 2012, 7 loans totaling \$602,000 were originated.

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<sup>1</sup> Small business loans are defined as those loans in amounts of \$1 million or less that are slotted in one of the following two Consolidated Reports of Condition and Income and Uniform Bank Performance Reports (Call Report) categories: "Nonfarm, Nonresidential," and "Commercial and Industrial," as applicable.

Home mortgage loans<sup>2</sup> represent the second largest product category, representing 23 percent of the loan portfolio as of June 30, 2014. During the review period, IB originated 17 home mortgage loans totaling \$4.3 million as follows: During the first two quarters of 2014, the bank originated 1 home mortgage loan totaling \$240,000; in 2013, 11 home mortgage loans totaling \$3.3 million were originated; and in the last two quarters of 2012, 5 loans totaling \$780,000 were originated. Many of the home mortgage loans were extended to businesses or for investment purposes. Under the Home Mortgage Disclosure Act (HMDA), borrower income is not required to be reported for home mortgage loans extended to businesses and for many loans originated for investment purposes. Therefore, these loans were excluded from the analysis relative to borrower income for the home mortgage loans, which is described later in this document.

To evaluate IB's CRA performance, all small business loans originated during the last two quarters of 2012, 2013, and the first two quarters of 2014 were considered. In addition, the bank's home mortgage loans originated during the same time period were also considered. Also considered were lending-related investments (for the loan-to-deposit analysis, and geographic and borrower distributions). These investments were considered at the last CRA evaluation and are secured by 14 home mortgage loans with a current value of \$2.1 million. Consumer loans were not considered for this evaluation due to limited volume, and small farm loans were not considered since IB does not originate this loan type. Given the bank's commercial focus and volume of business loans, the small business loans received the most weight when determining overall CRA performance conclusions and ratings.

## **DESCRIPTION OF INSTITUTION**

IB is a state chartered institution, headquartered in West Miami, Florida. The bank is owned by one individual and a one-bank holding company, Intercontinental Bankshares, LLC, also headquartered in West Miami, Florida. IB does not have any subsidiaries. The bank's only office is located at 5722 Southwest Eighth Street, West Miami, Florida, in a middle-income census tract. The bank has been serving Miami-Dade County since it was established in 2002. As of June 30, 2014, IB reported total assets of \$155 million. Total loans were \$35 million, or 23 percent of total assets, and investments totaled \$97 million, or 63 percent of total assets. Total deposits were \$136 million and equity capital was \$18 million.

IB offers a variety of commercial products, including working capital lines of credit, fixed asset loans, commercial real estate purchase and refinance loans, vehicle loans, and standby letters of credit. IB also offers a variety of secured and unsecured loan products to consumers. Loans to consumers include home mortgage, vehicle, and personal loans. The bank offers both fixed- and adjustable-rate loans. The distribution of IB's loan portfolio is presented in the table on the following page. As shown in the table, 71 percent of the loan portfolio is comprised of real estate loans, with closed-end 1-to-4 family residential loans representing 17 percent. Commercial real estate loans account for 48 percent of total loans, while commercial and industrial loans represent 21 percent.

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<sup>2</sup> Home mortgage loans include home purchase loans, home improvement loans, home refinance, and loans on multifamily dwellings, required to be reported pursuant to the Home Mortgage Disclosure Act (HMDA).

<b>Loan Distribution</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	\$131	<1%
Secured by Farmland	\$0	0%
1-4 Family Residential (Open-end loans)	\$157	<1%
1-4 Family Residential (Closed-end loans)	\$5,821	17%
Multifamily (5 or more) Residential	\$2,169	6%
Commercial Real Estate	\$16,711	48%
<b>Total Real Estate Loans</b>	<b>\$24,989</b>	<b>71%</b>
Commercial and Industrial	\$7,484	21%
Banks in Foreign Countries	\$0	0%
Agricultural	\$0	0%
Consumer Loans	\$1,237	4%
Other Loans	\$1,314	4%
Less: Unearned Income	(\$28)	(<1%)
<b>Total Loans</b>	<b>\$34,996</b>	<b>100%</b>

Source: June 30, 2014, Call Report.

Deposit products offered to consumers and businesses are typical for an institution of this size and include both interest and non-interest bearing accounts. Deposit products include checking, money market, savings accounts, and certificates of deposit. In addition, individual retirement accounts (IRAs) are offered to consumers. Business accounts are offered similar deposit services, including business checking, money market, savings, and cash management accounts. The bank also offers a transactional website.

The bank operates in a highly competitive environment. In addition to competing with large national and regional financial institutions, the bank also competes with a variety of local banks. IB also faces competition for deposit and loan products from other nonbank entities, including mortgage loan brokers, finance companies, insurance companies, and money management firms. Internet banking also poses additional competition.

As shown later in this document, IB has not provided for the credit needs of its community in a manner consistent with its size, financial capacity, resources, and local economic conditions. There are no financial impediments or legal constraints that would prohibit the bank from meeting the credit needs of its community. At the previous CRA evaluation, dated June 29, 2012, the FDIC determined the bank's CRA performance to be Needs to Improve pursuant to evaluation procedures for a small institution.

## **DESCRIPTION OF ASSESSMENT AREA**

### **Assessment Area Overview**

IB has delineated Miami-Dade County as its assessment area, which makes up the Miami-Miami Beach-Kendall, FL Metropolitan Division (MD). The MD is part of the larger Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area (MSA), which also includes Broward and Palm Beach Counties. However, these two counties are not included in the bank's assessment area.

The assessment area has been delineated in accordance with the technical requirements of the CRA regulation and consists of whole census tracts, does not arbitrarily exclude low- or moderate-income census tracts, and includes the census tract where the bank's office is located. Miami-Dade County consists of 518 census tracts, consisting of 31 low-income tracts (6 percent), 132 moderate-income tracts (26 percent), 166 middle-income tracts (32 percent), and 172 upper-income census tracts (33 percent). There are also 17 census tracts (3 percent) with no associated income.

Miami-Dade County is located along the southeastern coast of Florida and is bordered to the north by Broward County, to the east by the Atlantic Ocean, to the south by Florida Bay, and to the west by Monroe County. Some of the largest cities in Miami-Dade County include Miami, Miami Beach, Coral Gables, and Hialeah.

### Assessment Area Income Levels

For purposes of all CRA evaluations, individuals are categorized as low-, moderate-, middle-, or upper-income based on their respective income levels as a percentage of the current Median Family Income (MFI). Annually, the Federal Financial Institution Examination Council (FFIEC) estimates the MFI for each MSA as well as the non-metropolitan areas of each state. The 2012, 2013, and 2014 FFIEC-estimated MFIs for the Miami-Miami Beach-Kendall, FL MD are \$52,600, \$49,000, and \$48,400, respectively. Based on these estimated figures, the income categories for 2012, 2013, and 2014 are shown in the table below. The 2014 MFI for Miami-Dade County, at \$48,400, has decreased steadily since 2012, and is lower than both the state and national average MFIs, at \$56,100 and \$63,900, respectively.

FFIEC Estimated MFI Levels				
Income Level	Percent of MFI	2012 MFI \$52,600	2013 MFI \$49,000	2014 MFI \$48,400
Low	Less than 50%	\$0 to \$26,299	\$0 to \$24,499	\$0 to \$24,199
Moderate	50% but less than 80%	\$26,300 to \$42,079	\$24,500 to \$39,199	\$24,200 to \$38,719
Middle	80% but less than 120%	\$42,080 to \$63,119	\$39,200 to \$58,799	\$38,720 to \$58,079
Upper	Equal to/greater than 120%	\$63,120 and above	\$58,800 and above	\$58,080 and above

### Assessment Area Economic Conditions

The unemployment rate in Miami-Dade County has been declining steadily since 2010, although it has exceeded the state and national rates since 2008. The unemployment rate, as of March 31, 2014, dropped to 7.1 percent from 9.1 percent as of March 31, 2013. The state and national unemployment rates were 6.3 percent and 6.9 percent, respectively, as of March 31, 2014.

According to the Bureau of Labor Statistics, the employment growth rate was stagnant over the past year. As of March 31, 2014, the employment growth rate for Miami-Dade County was 1.1 percent, while the state and national rates were 3.1 percent and 1.5 percent, respectively. According to *Moody's Analytics and BLS*, based on total employment, industry leaders are Education and Health Services (15.4 percent), Professional and Business Services (13.9 percent), Government (13.2 percent), and Retail Trade (13.1 percent). These industries are also among the top ranked employers at the state and national level. The top five private sector employers in

Miami-Dade County are University of Miami; Baptist Health Systems of Southern Florida; Publix Supermarkets, Inc.; Jackson Health System; and American Airlines.

The housing industry has been a major contributing factor in the county's recovering economy. Home construction has contributed significantly, and the trend is expected to continue. As the national economy improves, more retirees will be looking to buy second homes. Investors and foreigners have also been a major factor. As of year-end 2013, the total housing permit growth rate, at 107.2 percent, exceeded year-end 2012, at 86.5 percent. The majority of permits were for multifamily housing, representing 85 percent of permits issued as of year-end 2013.

Significant improvements to Miami-Dade County's infrastructure will also contribute to the area's expanding economy. The opening of the Port of Miami Tunnel in May 2014 now allows trucks to bypass downtown Miami and alleviate much of the congestion. Also to be completed in 2014 is the Port of Miami Deep Dredge Project. This project will allow the new megaships entry into the port. These projects coincide with the major expansion of the Panama Canal, which is expected to be completed in 2015. According to *Moody's Analytics*, international trade and the expanding infrastructure will enable Miami-Dade County to outperform the nation in the long term.

### Assessment Area Demographic Information

According to the 2010 U.S. Census, the county population in 2013 was estimated at 2,496,435. The census data indicates that 23 percent of families in the assessment area are low-income, 17 percent are moderate-income, 18 percent are middle-income, and 42 percent are upper-income. In addition, 14 percent of families in the assessment area have incomes below the poverty level, while 18 percent of households have incomes below the poverty level. The data also indicates that 5 percent of the population resides in low-income tracts, 27 percent in moderate-income tracts, 34 percent in middle-income tracts, and 33 percent in upper-income tracts. Based on the 2010 U.S. Census and 2013 D&B business data, selected demographic data for IB's assessment area is shown in the table below.

Assessment Area Demographic Information					
Demographic Characteristics	Number	Income Level			
		Low	Moderate	Middle	Upper
Census Tracts (17 = N/A)	518	31	132	166	172
Percent of Census Tracts (3% = N/A)	100%	6%	26%	32%	33%
Population by Tract Income Category (1% = N/A)	2,496,435	5%	27%	34%	33%
Family Distribution by Income Level	571,889	23%	17%	18%	42%
Families Below Poverty Level/Percent	78,701	14%			
Household Distribution by Income Level	827,556	26%	15%	16%	43%
Households Below Poverty Level/Percent	149,164	18%			
Owner-Occupied Housing Units by Tract	480,532	2%	20%	35%	43%
Renters with Rent Costs > 30% of Income	211,645	22%			
Businesses by Tract Income Category (1% = N/A)	430,864	3%	22%	28%	46%
Farms by Tract Income Category (<1% = N/A)	5,149	2%	20%	32%	46%



There are an estimated 827,556 total households and 571,889 (69 percent) are families. The U.S. Census Bureau estimates that the median age of the county's residents is 38.6 years, compared to the state and national estimates of 41.1 years and 37.4 years, respectively. There are 980,580 housing units, of which owner-occupied units represent 49 percent. Renters whose rental costs exceed 30 percent of their incomes represent 61 percent of occupied rental units. In addition, based on 2013 D&B business demographic information, there are 430,864 businesses in the county. Of these, 71 percent had gross annual revenues of \$1 million or less, 3 percent reported revenues greater than \$1 million, and 26 percent did not report revenues.

Part of Miami-Dade County has been designated as a federal Empowerment Zone. The zone was established to create jobs and business opportunities in the most economically distressed areas of Miami's inner cities. These areas receive tax incentives that stimulate job growth, promote economic development, and create affordable housing opportunities. In general, Empowerment Zones typically encourage public-private partnerships to generate economic development in the nation's most distressed urban communities.

### **Community Contact**

Contacts with community organizations are often used during CRA evaluations to gain insight regarding the credit needs and economic conditions of the assessment area(s). Individuals interviewed provide information based upon their knowledge and expertise in the housing, business, or economic sectors.

During this CRA evaluation, several recently conducted community contacts were reviewed. One contact noted that the primary employers in Miami-Dade County are hospitals and the government. Many low-income individuals must commute over an hour to get to work, and the county does not have a commutable transportation system that runs east to west. He stated that the county has deteriorated and housing stock is depressed except in small pockets such as Brickell. Another contact stated that the biggest economic issue in Miami-Dade County is the lack of affordable housing. She noted, however, that lending standards have started to ease, which has made credit more available. A third contact stated that the Miami-Dade economy is improving. Currently, the greatest credit needs for small businesses are lines of credit, working capital, and equipment loans. She further indicated the construction industry needs funding for procurement, architects, and engineering.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The analysis that follows evaluates IB's small business and home mortgage lending, as evaluated under the small institution procedures.

### Loan-to-Deposit Ratio

Overall Performance: IB's average net loan-to-deposit ratio (LTDR) of 21 percent is less than reasonable given the institution's size, financial condition, and credit needs of its assessment area. The average net LTDR is calculated by dividing net loans and leases, which excludes loan loss reserves and unearned income, by total deposits. The average net LTDR is calculated by adding the LTDRs for each quarter since the last CRA evaluation and dividing that sum by the number of quarters. Using this calculation, as of June 30, 2014, IB's average net LTDR calculated for the 9 quarters since the last evaluation, is 21 percent. This ratio represents an increase from the 15 percent ratio noted at the June 29, 2012 evaluation. The quarterly ratios have ranged from a high of 25 percent on June 30, 2014, to a low of 16 percent on June 30, 2012.

As of June 30, 2014, when the lending-related qualified investments (\$2.1 million) are included, the quarterly ratio increases to 27 percent; however, this ratio is still substantially below the ratio of similarly situated banks. While these loan-related investment activities demonstrate the bank's effort to supplement its lending performance, they are not significant enough to raise the bank's performance to an adequate level of lending.

Since the previous CRA evaluation, the bank's loan volume has increased 64 percent, from \$21,027,000, as of June 30, 2012, to \$34,431,000, as of June 30, 2014. The bank also experienced a 3 percent increase in total deposits, from \$132,242,000, as of June 30, 2012, to \$135,986,000, as of June 30, 2014. The table below shows IB's quarterly LTDRs during the evaluation period, as well as total deposits and net loans.

IB's Quarterly LTDRs (6/30/2012 - 6/30/2014)			
Report Date	LTDR	Total Deposits \$(000s)	Net Loans \$(000s)
6/30/2012	13.58%	\$132,242	\$21,027
9/30/2012	12.21%	148,590	23,051
12/31/2012	11.61%	149,217	27,510
3/31/2013	13.82%	139,808	32,893
6/30/2013	14.62%	144,660	32,564
9/30/2013	15.22%	143,647	33,902
12/31/2013	17.51%	153,632	36,455
3/31/2014	15.78%	147,488	33,879
6/30/2014	17.91%	135,986	34,431

Source: Call Report

A bank's average net LTDR is generally compared to a similarly situated institution operating in a bank's assessment area. A comparable institution will typically share similar attributes such as size, branch structure, product lines, and will operate under similar economic conditions. The bank's average net LTDR was compared to the average net LTDRs of three similarly situated institutions to determine if the level of lending provided by the bank is comparable to what other institutions are experiencing.

As shown in the table below, IB's average net LTDR of 21 percent is less than half of the similarly situated institution with the lowest ratio. However, this represents an improving trend since the last evaluation when IB's average net LTDR was 15 percent, or less than one fourth of the similar institutions.

<b>Similarly Situated Institutions</b>					
<b>Institution</b>	<b>Average Net LTDR</b>	<b>Total Assets \$(000s)</b>	<b>Percent Commercial Loans</b>	<b>Opened for Business</b>	<b>Number of Branches</b>
Terrabank, National Association	75%	\$277,635	75%	1985	3
Sunstate Bank	57%	\$165,942	51%	1999	3
Marquis Bank	88%	\$252,937	67%	2007	1
Peer Group (6)*	75%				
<b>Intercontinental Bank</b>	<b>21%</b>	<b>\$155,396</b>	<b>66%</b>	<b>2002</b>	<b>1</b>

Source: Call Report \*Insured commercial banks having assets between \$100 million and \$300 million, with two or fewer full-service banking offices and located in a metropolitan statistical area.

As shown above, the average net LTDRs of the similarly situated lenders ranged from a low of 57 percent to a high of 88 percent. The similar lenders have managed to maintain adequate ratios while operating within the same financial environment. Therefore, IB has reinvested an extremely low percentage of its deposits back into the community in the form of loans.

In addition, IB's peer group, which includes all insured commercial banks having assets between \$100 million and \$300 million, with two or fewer full-service banking offices and located in a metropolitan statistical area, had an average net LTDR of 75 percent as of June 30, 2014. While IB's loan volume has increased since the last evaluation, all of the similarly situated institutions also experienced an increase in loan growth, which is further evidence of the availability of lending opportunities in the assessment area.

A review of the bank's financial condition and legal structure was completed to determine if lending barriers, beyond management's control, were present. This review did not reveal any barriers that would prevent IB from meeting the credit needs of its assessment area. Based on the comparison of the bank's average net LTDR with similarly situated lenders, the lending philosophy, and the overall financial condition of the bank, the bank is reinvesting an unreasonably low volume of deposits as loans. Therefore, the bank is not satisfactorily meeting the credit needs of its assessment area.

### **Lending Inside the Assessment Area**

Overall Performance: The substantial majority of IB's small business and home mortgage loans were originated within its delineated assessment area. More weight was placed on the bank's small business lending since these loans represent the majority of the bank's loans by both number and dollar volume. The performance outlined below demonstrates the bank's efforts to provide credit services to individuals and businesses located inside its assessment area. However, the bank's low level of lending limits the meaningfulness of this analysis and diminishes overall from the bank's performance under this criterion.

As shown in the table below, in 2014, IB extended 88 percent of its small business loans by number volume and 90 percent by dollar volume inside the assessment area. In 2013, IB extended 93 percent of the number and 94 percent of the dollar volume of small business loans within its assessment area. In 2012, all of the small business loans were extended to borrowers within the assessment area. In all three years, all home mortgage loans were extended to borrowers within the assessment area.

Assessment Area Lending										
Small Business Loans	Number of Loans					Dollar Volume (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2014	7	88%	1	12%	8	\$574	90%	\$65	10%	\$639
2013	26	93%	2	7%	28	\$3,866	94%	\$265	6%	\$4,131
2012	7	100%	0	0%	7	\$602	100%	\$0	0%	\$602
Home Mortgage Loans	Number of Loans					Dollar Volume (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2014	1	100%	0	0%	1	\$240	100%	\$0	0%	\$240
2013	11	100%	0	0%	11	\$3,285	100%	\$0	0%	\$3,285
2012	5	100%	0	0%	5	\$780	100%	\$0	0%	\$780

The performance impact of the high concentration of lending activity within the assessment area is greatly diminished by the bank's relatively low lending activity. Specifically, given the lending opportunities available in the area over the evaluation period, the bank is not lending a reasonable portion (relative to similarly situated area banks) of its depositors' funds back into the community.

## Geographic Distribution of Loans

Overall Performance: The geographic distribution of the small business and home mortgage loans originated during the review period, including the loans securing the lending-related investments, reflects a reasonable dispersion throughout the assessment area. However, the low level of lending limits the meaningfulness of this analysis and diminishes overall from the bank's performance under this criterion. Small business loans were given more weight as they comprise the majority of the bank's loans.

### *Small Business Loans*

The geographic distribution of small business loans originated from July 2012 through June 2014 reflects a reasonable dispersion throughout the assessment area. The data presented in the table on the following page represents the distribution of the small business loans among the four census tract income levels. For comparison purposes, the percentage of businesses located in each census tract income category, as determined by D&B business data, is also shown.

Geographic Distribution of Small Business Loans						
Census Tract Income Level		Low	Moderate	Middle	Upper	Totals
Business Distribution – 2014		Not yet available				
2014	#	0	0	1	6	7
	%	0%	0%	14%	86%	100%
	\$(000s)	\$0	\$0	\$46	\$528	\$574
	%	0%	0%	8%	92%	100%
Business Distribution – 2013 (1% = N/A)		3%	22%	28%	46%	100%
2013	#	3	7	6	10	26
	%	12%	27%	23%	38%	100%
	\$(000s)	\$753	\$715	\$1,455	\$943	\$3,866
	%	19%	19%	38%	24%	100%
Business Distribution – 2012 (2% = N/A)		3%	22%	28%	45%	100%
2012	#	0	1	4	2	7
	%	0%	14%	57%	29%	100%
	\$(000s)	\$0	\$200	\$320	\$82	\$602
	%	0%	33%	53%	14%	100%

Source: 2012 and 2013 D&B business data and bank documents.

IB originated 7 small business loans in the assessment area totaling \$574,000 during the first two quarters of 2014. None of these loans were originated in low- or moderate-income census tracts. This performance is considered poor.

In 2013, IB originated 26 small business loans in the assessment area totaling \$3.9 million. Of these, 12 percent by number and 19 percent by dollar amount were originated in low-income census tracts. Further, 27 percent by number amount and 19 percent by dollar amount were originated in moderate-income census tracts. In 2013, the bank's performance by number volume exceeds comparison data, which indicates that 3 percent of businesses are located in low-income census tracts and 22 percent in moderate-income tracts. This performance is considered excellent.

In the last two quarters of 2012, IB originated 7 small business loans in the assessment area totaling \$602,000. Of these, none were originated in low-income census tracts, which is reasonable given the limited number of businesses located in those tracts at 3 percent. Within moderate-income census tracts, the bank originated 14 percent by number amount and 33 percent by dollar amount. In moderate-income census tracts, the bank's performance by dollar volume exceeds comparison data, which indicates that 22 percent of small businesses are located in moderate-income tracts. By number volume, the bank's performance is similar to the comparison data. Therefore, the bank's performance is considered reasonable within those tracts.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans originated during 2013 reflects a reasonable dispersion throughout the assessment area. The geographic distribution of home mortgage loans

originated in the assessment area is shown in the table on the following page. For comparison purposes, the percentage of owner-occupied housing units located in each census tract income category is shown, and 2012 HMDA aggregate data is also provided.

<b>Geographic Distribution of Home Mortgage Loans</b>							
<b>Census Tract Income Level</b>		<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>N/A</b>	<b>Totals</b>
Owner-Occupied Units (2010 Census)		2%	20%	35%	43%	0%	100%
2013 Aggregate Lending		Not yet available					
2014	#	1	0	0	0	0	1
	%	100%	0%	0%	0%	0%	100%
	\$(000s)	\$240	\$0	\$0	\$0	\$0	\$240
	%	100%	0%	0%	0%	0%	100%
Owner-Occupied Units (2010 Census)		2%	20%	35%	43%	0%	100%
2013 Aggregate Lending		Not yet available					
2013	#	0	0	5	6	0	11
	%	0%	0%	45%	55%	0%	100%
	\$(000s)	\$0	\$0	\$582	\$2,703	\$0	\$3,285
	%	0%	0%	18%	82%	0%	100%
Owner-Occupied Units (2010 Census)		2%	20%	35%	43%	0%	100%
2012 Aggregate Lending		1%	11%	31%	57%	0%	100%
2012	#	0	3	1	1	0	5
	%	0%	60%	20%	20%	0%	100%
	\$ 000s)	\$0	\$360	\$120	\$300	\$0	\$780
	%	0%	46%	15%	39%	0%	100%

Source: 2012, 2013, and 2014 HMDA data, and 2010 U.S. Census.

In the first two quarters of 2014, IB originated 1 home mortgage loan totaling \$240,000 in the assessment area. This loan was originated in a low-income census tract; however, no reasonable conclusions can be drawn from only one loan. During 2013, IB originated 11 home mortgage loans totaling \$3.3 million. None of these loans were originated in low- or moderate-income census tracts. This performance is considered poor.

In the last two quarters of 2012, the bank originated 5 home mortgage loans totaling \$780,000 in the assessment area. In low-income census tracts, the bank originated no home mortgage loans. However, aggregate lending and the percentage of owner-occupied housing units in low-income census tracts are only 1 percent and 2 percent, respectively, which may indicate limited opportunities in these tracts. Three loans, totaling \$360,000, were originated in moderate-income tracts. This represents 60 percent of the number of loans and 46 percent of the dollar volume. The bank's performance in moderate-income census tracts greatly exceeds aggregate lending at 11 percent and the percentage of owner-occupied housing units at 20 percent. This performance is considered excellent.

### *Loans Securing Investments (Lending-related Investments)*

In an effort to meet the credit needs of the community, the bank purchased mortgage backed securities totaling \$3.5 million in 2011 (lending-related investments). The investments meet community development needs in the bank's assessment area by providing home mortgage loans in low- and moderate-income census tracts. The securities currently consist of 14 home mortgage loans, of which 12 are secured by properties in the bank's assessment area (Miami-Dade County). The two other loans are secured by properties in neighboring Broward County.

As shown in the following table, of the 12 underlying loans in Miami-Dade County, five (42 percent) are located in low- and moderate-income census tracts. However, the impact of these investments does not mitigate the bank's very low level of lending.

Geographic Distribution of Loans Securing Investments (Lending-related Investments)						
Census Tract	Income Level	Low	Moderate	Middle	Upper	Totals
2011	#	3	2	5	2	12
	%	35%	23%	31%	11%	100%
	\$ (000s)	\$642	\$417	\$561	\$212	\$1,832
	%	35%	23%	31%	11%	100%

*Source: Bank records.*

### **Lending to Businesses of Different Sizes and to Borrowers of Different Income Levels**

Overall Performance: The distribution of small business and home mortgage loans, including the loans securing the lending-related investments, given the demographics of the assessment areas, reflects an excellent penetration among businesses of different sizes and individuals of different income levels. However, the low level of lending limits the meaningfulness of this analysis and diminishes overall from the bank's performance under this criterion. Small business loans were given more weight as they comprise the majority of the bank's loans.

#### *Small Business Loans*

IB's performance represents an excellent dispersion of loans extended to businesses with gross annual revenue of \$1 million or less in the assessment area. The distribution of small business loans, based on the gross annual revenue of the business, is detailed in the table on the following page.

For this criterion, less emphasis is placed on dollar volume, as small businesses tend to borrow smaller dollar amounts. For comparison purposes, the percentage of businesses with gross annual revenue of \$1 million or less and over \$1 million, based on D&B business data, is also shown. The percent of businesses that did not report revenue data was 26 percent in 2013 and 22 percent in 2012.

Distribution of Small Business Loans by Gross Revenue					
Gross Annual Revenue		\$0 to \$1 million	Over \$1 million	Income NA	Totals
% of Businesses – 2014		Not yet available			
2014	#	6	1	0	7
	%	86%	14%	0%	100%
	\$(000s)	\$499	\$75	\$0	\$574
	%	87%	13%	0%	100%
% of Businesses – 2013		71%	3%	26%	100%
2013	#	25	1	0	26
	%	96%	4%	0%	100%
	\$(000s)	\$2,956	\$910	\$0	\$3,866
	%	24%	76%	0%	100%
% of Businesses – 2012		75%	3%	22%	100%
2012	#	6	1	0	7
	%	86%	14%	0%	100%
	\$(000s)	\$452	\$150	\$0	\$602
	%	75%	25%	0%	100%

Source: 2012 and 2013 D&B business data and bank documents.

In the assessment area, IB extended 6 small business loans totaling \$499,000 to businesses with gross annual revenue of \$1 million or less during the first two quarters of 2014. This performance represents 86 percent of the number of loans and 87 percent of the dollar volume, and is considered good. In 2013, IB extended 25 small business loans totaling \$3.0 million to businesses with gross annual revenue of \$1 million or less. This performance represents 96 percent of the number of loans and 24 percent of the dollar volume. By number volume, this greatly exceeds comparison data, which indicates that 71 percent of businesses in the assessment area have gross annual revenues of \$1 million or less in 2013.

In the last two quarters of 2012, IB extended 6 small business loans totaling \$452,000 to businesses with gross annual revenue of \$1 million or less. This performance represents 86 percent of the number of loans and 75 percent of the dollar volume. By number volume, this exceeds comparison data, which indicates that 75 percent of businesses in the assessment area have gross annual revenues of \$1 million or less in 2012.

### *Home Mortgage Loans*

Lending to borrowers of different income levels from July 2012 through June 2014 represents a generally reasonable dispersion. For this performance criterion, less emphasis is placed on dollar volume, as low- and moderate-income individuals tend to borrow smaller dollar amounts. However, since income was not reported for many of these business purpose loans (as allowed by HMDA), they were excluded from this analysis.

The distribution of home mortgage loans originated in the assessment area during the review period is shown in the table on the following page. The data represents the distribution of home mortgage loans based on borrower income level. For comparison purposes, the percentage of families by income category is also shown.



Distribution of Home Mortgage Loans by Borrower Income							
Borrower Income		Low	Moderate	Middle	Upper	N/A	Totals
% of Families – 2010 Census		23%	17%	18%	42%	0%	100%
2014	#	0	0	0	0	1	1
	%	0%	0%	0%	0%	100%	100%
	\$ (000s)	\$0	\$0	\$0	\$0	\$240	\$240
	%	0%	0%	0%	0%	100%	100%
% of Families – 2010 Census		23%	17%	18%	42%	0%	100%
2013	#	0	0	1	4	6	11
	%	0%	0%	9%	36%	55%	100%
	\$ (000s)	\$0	\$0	\$83	\$912	\$2,290	\$3,285
	%	0%	0%	2%	28%	70%	100%
% of Families – 2010 Census		23%	17%	18%	42%	0%	100%
2012 Aggregate Lending		5%	11%	16%	55%	13%	100%
2012	#	3	0	0	1	1	5
	%	60%	0%	0%	20%	20%	100%
	\$ (000s)	\$330	\$0	\$0	\$150	\$300	\$780
	%	42%	0%	0%	19%	39%	100%

Source: 2012, 2013, and 2014 HMDA data, and 2010 U.S. Census.

In the first two quarters of 2014, the bank originated 1 loan for \$240,000 in the assessment area. This loan was originated to a borrower with no reported income. Reasonable conclusions cannot be drawn from only one loan. In 2013, the bank originated 11 home mortgage loans totaling \$3.3 million in the assessment area. Income was not reported for 6 loans, none of the remaining 5 loans were originated to low- or moderate-income borrowers, which is adverse.

In the last two quarters of 2012, IB originated 5 home mortgage loans totaling \$780,000 million in the assessment area. Of these, 60 percent were originated to low-income borrowers. This performance exceeds the percentage of low-income families and aggregate lending data, both at 5 percent. However, no loans were originated to moderate-income borrowers.

#### *Loans Securing Investments (Lending-related Investments)*

In an effort to meet the credit needs of the community, the bank purchased mortgage backed securities totaling \$3.5 million in 2011 (lending-related investments). The investments meet community development needs in the bank's assessment area by providing home mortgage loans to low- and moderate-income individuals.

The securities currently consist of 14 home mortgage loans, of which 12 are secured by properties in the bank's assessment area (Miami-Dade County). The two other loans are secured by properties in neighboring Broward County.

As shown in the table on the following page, of the 12 underlying loans in Miami-Dade County, seven (58 percent) were originated to low- and moderate-income individuals. However, the impact of these investments does not mitigate the bank's very low level of lending.

Distribution of Loans Securing Investments (Lending-related Investments)						
Borrower Income		Low	Moderate	Middle	Upper	Totals
2011	#	1	6	1	4	12
	%	8%	50%	8%	34%	100%
	\$ (000s)	\$68	\$705	\$203	\$856	\$1,832
	%	4%	38%	11%	47%	100%

Source: Bank records.

### Response to Complaints

The bank has received no complaints regarding its performance under the CRA since the previous performance evaluation.

### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners evaluated the bank's compliance with antidiscrimination laws, including the Fair Housing Act and the Equal Credit Opportunity Act. No violations of the substantive provisions of the anti-discriminatory laws and regulations or other illegal credit practices inconsistent with helping to meet community credit needs were identified.

## APPENDIX A – GENERAL CRA DEFINITIONS

### **GEOGRAPHY TERMS**

*Under the 2000 standards, **Metropolitan Statistical Area** and **Micropolitan Statistical Area** are the terms used for the basic set of county-based areas. **Metropolitan and Micropolitan Statistical Areas** are defined in terms of whole counties (or equivalent entities). If specified criteria are met, a **Metropolitan Statistical Area** may be subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions**.*

**Metropolitan Statistical Area (MSA):** An area having at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

**Micropolitan Statistical Area:** A new set of statistical areas having at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

**Metropolitan Division:** A county or group of counties within a Metropolitan Statistical Area that has a population core of at least 2.5 million. While a Metropolitan Division is a subdivision of a larger Metropolitan Statistical Area, it often functions as a distinct social, economic, and cultural area within the larger region. Metropolitan Divisions retain their separate statistical identities.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area:** A new set of complementary areas formed from various combinations of adjacent Metropolitan and Micropolitan Statistical Areas, if specified criteria are met. The areas that combine retain their own designations as Metropolitan or Micropolitan Statistical Areas within the larger Combined Statistical Area. The combined areas have social and economic ties as measured by commuting, but at lower levels than are found among counties within Metropolitan and Micropolitan Statistical Areas. Combinations for adjacent areas with an employment interchange of 25 or more are automatic. Combinations for adjacent areas with an employment interchange of at least 15 but less than 25 are based on local opinion as expressed through the Congressional delegations. Combined Statistical Areas can be characterized as representing larger regions that reflect broader social and economic interactions, such as wholesaling, commodity distribution, and weekend recreation activities.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of Non-Metropolitan Area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated (with some exceptions) as cities, villages, boroughs, and towns but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one has incomes above the median and the other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates, which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

## **OTHER TERMS**

**Small Business:** A business entity having gross annual revenues of \$1 million or less.

**Small Business Loan(s):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are secured either by non-farm or by non-residential real estate or are classified as commercial and industrial loans.